



**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

**DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
TEGE EO Examinations Mail Stop 4920 DAL  
1100 Commerce St.  
Dallas, Texas 75242**

501.03-00

**Date: August 23, 2011**

**Number: 201146020  
Release Date: 11/18/2011**

**LEGEND**

ORG - Organization name  
XX - Date Address - address

**Taxpayer Identification Number:  
Person to Contact:  
Employee Identification Number:  
Employee Telephone Number:  
(Phone)  
(Fax)**

**ORG  
ADDRESS**

**CERTIFIED MAIL – RETURN RECEIPT**

**Dear :**

**This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code. Our favorable determination letter to you dated August 20XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective October 1, 20XX.**

**The revocation of your exempt status was made for the following reason(s):**

**Organizations described in IRC 501(c)(3) and exempt under section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to produce documents to establish that you are operated exclusively for exempt purposes and that no part of your net earnings inures to the benefit of private shareholders or individuals. You failed to respond to repeated reasonable requests to allow the Internal Revenue Service to examine your records regarding your receipts, expenditures, or activities as required by sections 6001 and 6033(a)(1) of the Code.**

**Contributions to your organization are no longer deductible under IRC §170 after October 1, 20XX.**

**You are required to file income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the tax year ending September 30, 20XX, and for all tax years thereafter in accordance with the instructions of the return.**

Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination under the declaratory judgment provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91<sup>st</sup> Day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to the United States Tax Court at the following address:

You also have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Nanette M. Downing  
Director, EO Examinations

Enclosures:  
Publication 892

## DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

## TE/GE EO Examinations

**55 N. Robinson, MC 4900**

Oklahoma City, OK 73102

**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

**Date: May 7, 2010**

### LEGEND

ORG - Organization name

XX - Date      Address - address

ORG

## ADDRESS

**Form Number:**

**Tax Year Ended:****Taxpayer Identification Number:**

**Person to Contact:**

**Employee Identification Number:**

Employee Telephone Number:

(Phone)

(Fax)

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Dear

•

•

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Action - Section 7428*. If you have already given us a signed Form 6018, you need not repeat this process. We will issue a final revocation letter.

**If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.**

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

in lieu of Letter 3618

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing  
Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Report of Examination

in lieu of Letter 3618

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 20XX09

**LEGEND**

ORG - Organization name      XX - Date      Address - address      City - city  
State - state      President - president

**Issue:**

Whether ORG, an exempt organization continues to qualify for exemption under Section 501(c)(3) of the Internal Revenue Code.

**Facts:**

ORG is an exempt organization that, per the organization's website "provides youth sports leagues with a focus on developing confidence, self esteem, and team sportsmanship through the performance of competitive team sports, while promoting physical and moral character development to all participants." ORG is a non-profit organization chartered by the state of State and is accorded tax-exempt status under § 501(c)(3) of the Internal Revenue Code."

On April 1, 20XX a letter was sent to the ORG, requesting that the organization make contact with the requesting agent to confirm the appointment. Also, attached was a list of information that would be required during an onsite audit, contact was never made by the organization. The organization failed to provide the Internal Revenue Service with the requested information. Additional attempts were made to set up appointments with the organization and an adequate response was not established. As stated at the beginning of the paragraph the initial letter was issued on April 1, 20XX, mailed to the Address, City, State, the letter was not returned to the requesting agent's office, subsequent letters were issued:

- Letter dated June 5, 20XX, mailed as Certified Mail to Address, was sent back to the examining agent's office with a stamp stating "return to sender/unclaimed"
- Letter dated July 1, 20XX, mailed as Certified Mail to Address, City, State, this mail box is listed on the organization's website. It is used to accept registration forms for future and current participants of the sports leagues. The letter was sent back to the examining agent's office with a stamp stating "return to sender/unclaimed"
- Letter Dated September 1, 20XX, was sent using regular mail service, there was no response from the Taxpayer and the letter was not returned
- Letter dated November 19, 20XX, mailed as Certified Mail to the Address address, there has not been any response to the letter and it has not been returned to date December 18, 20XX

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 20XX09

- Letters dated December 18, 20XX, was mailed Certified to the Address and the address and they both were returned on January 19, 20XX and April 06, 20XX as unclaimed.

Also, contact by phone was also attempted:

- On May 15, 20XX called the number listed for the organization, which is also the sport line with updates about the league and their scheduled games, the line is updated at least weekly if not more often. A message was left for President to contact the agent.
- June 4, 20XX a message was left for President to contact the agent.
- July 1, 20XX a message was left for President to contact the agent.
- September 1, 20XX spoke with President and he stated that he is not getting the letters. I told him that I would send them out to him again; he stated that he would call me and confirm that he received the letters. We verified the address before getting off the phone, he stated that the PO Box was no longer being used and it would be best to send to his home address which is the address the Service has on file for the organization Address, City, State.
- Spoke with President on November 18, 20XX and he states that he is still not receiving the letters.
- Called on December 11, left a message stating that the organization is in jeopardy of loosing its exemption and that I am in the process of preparing a report to address the proposed revocation of the organization's exempt status as of this date December 18, 20XX, no response.
- April 8, 20XX called and spoke with President and he informed me that he had moved to City and recently moved back to the Address in City, explained that the next step was to propose revocation of the organizations exempt status.

#### Law:

Section 6001 of the Code provides that every person liable for any tax imposed by the Code, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

Section 6033(a)(1) of the Code provides, except as provided in section 6033(a)(2), every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 20XX09

Section 1.6001-1(a) of the regulations in conjunction with section 1.6001-1(c) provides that every organization exempt from tax under section 501(a) of the Code and subject to the tax imposed by section 511 on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, credits, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by section 6033.

Section 1.6001-1(e) of the regulations states that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

Section 1.6033-1(h)(2) of the regulations provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and section 6033.

*Rev. Rul. 59-95, 1959-1 C.B. 627*, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of section 6033 of the Code and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

In accordance with the above cited provisions of the Code and regulations under sections 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

### **Taxpayer's Position**

At the issuance of this letter the taxpayer's position was not known. It is requested of the taxpayer that they provide comments and/or records in order to verify the

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 20XX09

accuracy of their gross receipts.

### **Government's Position**

Under I.R.C. § 6033(a) an exempt organization receiving over \$ in gross receipts must file a Form 990. Since your organization has failed to provide proper documentation of your financial position, it is undetermined that the organization's gross receipts were under \$.

Under Treas. Reg. § 1.6033-2(i)(2), every organization exempt from tax, whether or not it is required to file an annual information return, shall submit additional information as may be required by the Internal Revenue Service for the purpose of inquiring into its exempt status. During our examination we made several requests for information, but you failed to supply the requested information. Except for organizations that are exempted from the annual filing requirements, I.R.C. § 6033 (a)(1) and Treasury Regulation §1.6033-2(a) provide that every organization exempt from taxation under I.R.C. § 501 (a) is required to file an annual return (Form 990), stating specifically the items of gross income, receipts, and disbursements, and shall keep such records, render under oath such statements, make such other returns and comply with such rules and regulations as the Secretary of the Treasury or his delegate may from time to time prescribe. Treasury Regulation § 1.6033-2(i)(2) provides that every organization that is exempt from tax, whether or not it is required to file an annual information return, shall submit such additional information as may be required by the Internal Revenue Service for the purpose of inquiring into its exempt status.

I.R.C. §6033(b) sets forth the information required to be furnished to the Secretary by section 501(c)(3) organizations. Treasury Regulation § 1.6033-2(a)(2)(ii)(e) and Treasury Regulation § 1.6033-2(a)(2)(ii)(f). Under I.R.C. §6072(e) and Treasury Regulation §1.6033-2(e), the annual return is due on or before the 15th day of the fifth month following the close of the organization's annual accounting period. You failed to meet the prescribed deadline.

I.R.C. § 6104(b) states that information required to be furnished by I.R.C. §6033 shall be made available to the public at such times and in such places as the Secretary may prescribe. I.R.C. § 6104(d) requires that an organization exempt from tax under I.R.C. §501(c) shall make a copy of the annual return (Form 990) required by section 6033 available for inspection during regular business hours by any individual at the principal office of such organization.

I.R.C. §§ 6033(a)(3)(A) and (a)(3)(C) provide certain mandatory exceptions to the filing requirements of section 6033(a)(1) for certain specified types of organizations. One of the mandatory exceptions is section 6033(a)(3)(A)(ii), which exempts from filing any



Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer <b>ORG</b>		Year/Period Ended 20XX09

organization, other than a private foundation, the "gross receipts of which in each taxable year are normally not more than \$5,000." Treasury Regulation. §1.6033-2(g) lists certain organizations that are not required to file Forms 990.

Treasury Regulation 1.6033-2(g)(4) defines the term "gross receipts" [when used as to exempt organizations that normally do not have gross receipts in excess of \$5,000] to mean the gross amount received by the organization during its annual accounting period from all sources without reduction for any costs or expenses. The term includes, but is not limited to, the gross amount received as contributions, gifts, grants and similar amounts without reduction for the expenses of raising and collecting these amounts.

Section 6033(b) sets out an affirmative duty on the part of the organization to furnish annual information in such a manner as the Secretary may prescribe via forms or regulations. The organization has clearly failed to provide the requested information despite adequate notice.

### **Conclusion:**

It is the Internal Revenue's position that you have failed to meet the requirements for an organization described in Internal Revenue Code § 501(c)(3) and exempt from tax under section 501(a). You have failed to provide information and establish that you are operated exclusively for an exempt purpose. You have also failed to file the Form 990 returns for the year(s) ended September 30, 20XX. Accordingly, the organization's exempt status is revoked effective January 1, 20XX.

Form 1120 return should be filed for the tax periods ending September 30, 20XX, September 30, 20XX, September 30, 20XX, and all other subsequent tax years.